

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION  
Water Branch**

**RESOLUTION NO. W-4481  
July 8, 2004**

**R E S O L U T I O N**

**(RES. W-4481), ARROWHEAD MANOR WATER COMPANY,  
INC. (AMWC). ORDER AUTHORIZING AN OFFSET RATE  
INCREASE OF \$46,971 OR 14.15% IN ADDITIONAL REVENUE  
DUE TO CONTRACT WORK AND PURCHASED WATER  
COSTS.**

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**S U M M A R Y**

By Advice Letter No. 57-W, filed on March 1, 2004, AMWC seeks to increase rates by \$46,971, or 14.15% of authorized revenues, to recover expenses incurred in contract work and purchased water costs. The increase will not result in a rate of margin greater than the last authorized for AMWC.

**B A C K G R O U N D**

AMWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset \$46,971 increase in contract work and purchased water costs.

The present rates of AMWC became effective on October 7, 2003, pursuant to Res. No. W-4429, which authorized an offset rate increase of \$22,975 or 5.8% in additional revenue due to offset contract work and purchased power costs. The last general rate increase was granted on July 17, 2002, pursuant to D.02-07-009, which authorized a rate increase of \$47,815, or 16.8%, and a rate of margin of 15%.

AMWC is requesting to recover the \$46,971 or 14.15% of authorized revenues, over three bimonthly billing periods at the rate of \$26.76 per customer per

period. Decision (D.) 00-07-036 authorized recovery of the expenses in the contract work and purchased water costs memorandum accounts. In D.02-07-009, the Commission directed the General Counsel to petition the Superior Court to appoint a receiver (Ordering Paragraph B). On February 24, 2003, the Superior Court of San Bernardino County appointed John W. Richardson as Receiver for AMWC. Mr. Richardson is working with AMWC's existing employees to operate the water system until he can arrange for its sale.

## **DISCUSSION**

D.00-07-036, dated July 20, 2000, authorized AMWC to establish and maintain a purchased water memorandum account and a contract repair work memorandum account to track actual purchased water and contract work expenditures beginning with the effective date of the increased rate authorized in D.00-07-036. In addition, D.00-07-036 authorized AMWC to file advice letters by January 31 and July 31 each year seeking Commission approval for a customer billing surcharge or surcredit to collect or refund the accumulated amounts by which its actual, reasonable purchased water and contract repair work expenses in the memorandum accounts as of the preceding December 31 or June 30 deviate from the currently authorized amounts.

On October 25, 2003, part of San Bernardino County was devastated by a fire that lasted about ten days. Due to the fire, AMWC lost 322 of its 585 active service connections. AMWC is requesting a one-time surcharge of \$80.29 to be recovered over three bi-monthly billing periods at the rate of \$26.76 per customer per period, for a total of \$46,971 recorded in the purchased water and contract repair work memorandum accounts from July 1, 2003 through October 25, 2003, the date when the fire started, which exceeded the amounts currently authorized for purchased water and contract repair work over the same period of time. AMWC will keep the accumulated purchased water and contract repair work costs from October 26, 2003 through December 31, 2003 in the memorandum accounts for future recovery.

Since AMWC has both flat rate and metered rate customers, AMWC is requesting that recovery of the purchased water and contract work memorandum accounts be recovered from customers through a surcharge over three bimonthly billing periods.

Service is satisfactory. There are no Commission orders requiring system improvements, nor are there any service problems requiring corrective action. AMWC had a net operating loss of \$5,552 in 2003.

### **NOTICE AND PROTESTS**

Notice of the proposed rate increase was mailed to all customers on March 9, 2004, via US Mail. The Division has received two letters objecting to this increase, to which the Division has responded.

### **FINDINGS**

1. On October 25, 2003, part of San Bernardino County was devastated by a fire that lasted about ten days. Due to the fire, Arrowhead Manor Water Company lost 322 active service connections. For this reason, Arrowhead Manor Water Company requests a surcharge of \$80.29 to be collected over three bimonthly billing periods at the rate of \$26.76 per customer per month, to recover a total of \$46,971 recorded in the purchased water and contract repair work memorandum accounts from July 1, 2003 through October 25, 2003, the date when the fire started, which exceeded the amounts currently authorized for purchased water and contract repair work over the same period of time.
2. Decision 00-07-036, dated July 20, 2000, authorized AMWC to establish and maintain a purchased water memorandum account and a contract repair work memorandum account to track actual purchased water and contract work expenditures beginning with the effective date of the increased rate authorized in Decision 00-07-036.
3. Decision 00-07-036 authorized Arrowhead Manor Water Company to file advice letters by January 31 and July 31 of each year seeking Commission approval for a customer billing surcharge or surcredit to collect or refund the accumulated amounts by which its actual, reasonable purchased water and contract repair work expenses in the memorandum accounts as of the preceding December 31 or June 30 deviate from the currently authorized amounts.
4. Arrowhead Manor Water Company will keep the accumulated purchased water and contract repair work costs from October 26, 2003 through December 31, 2003 in the memorandum accounts for future recovery.

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5. The Commission finds, after investigation by the Water Division, that the rate increase hereby authorized is justified, and that the resulting rate is just and reasonable.
6. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g)(3).

**THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 for Arrowhead Manor Water Company to make effective the revised rate Schedules Nos. 1A, Annual Metered Service; and 2RA, Annual Residential Flat Rate Service, attached to Advice Letter No. 57-W, and to cancel its present effective rate schedules. The effective date of the revised rate schedules shall be five days after the date of this resolution.
2. Arrowhead Manor Water Company is directed to keep maintaining a balancing account as required by Public Utilities Code Section 792.5 and memorandum accounts as required by Decision No. 00-07-036.
3. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on July 8, 2004. The following Commissioners approved it:

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WESLEY M. FRANKLIN  
Deputy Executive Director

MICHAEL R. PEEVEY  
President

CARL W. WOOD  
LORETTA M. LYNCH  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
Commissioners